

MINUTES

MONTANA SENATE 58th LEGISLATURE - REGULAR SESSION

SUB-COMMITTEE ON TAXATION ON SB 260 & SB 461

Call to Order: By **CHAIRMAN BOB DEPRATU**, on March 14, 2003 at 11:05 A.M., in Room 405 Capitol.

ROLL CALL

Members Present:

Sen. Bob DePratu, Chairman (R)
Sen. Bob Story Jr., Vice Chairman (R)
Sen. Jim Elliott (D)

Members Excused: None.

Members Absent: None.

Staff Present: Lee Heiman, Legislative Branch
Shirley Herrin, Committee Secretary

Others Present: Judy Paynter, Dept. of Revenue
Brad Simshaw, Dept. of Revenue
Ryan Jose, Department of Revenue
Mary Whittinghill, MT Taxpayers Assoc.
Keith Colbo, MT Residents for Fair Prop. Taxation
Chris Christiaens, MT Landlord's Assoc.
Dolores Cooney, Dept of Revenue
Joe Roberts, MT Assoc. of Realtors

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Discussion On: SB 260; SB 461

CHAIRMAN DEPRATU stated that SB 260 and SB 461 (on property tax implementation) were trying to achieve the same end result but approaching it a little differently. They would like to resolve it so they would have one bill to go forward and be acceptable to everyone. He asked the committee what they would like to achieve as an end result in the bills.

SEN. ROBERT STORY said it might be helpful to understand the commonality in the bills. He stated the bills are relatively the same except for the way that SB 260 deals with how values change for today on owner occupied. The issue that is different from the present system is the issue of owner occupied versus second homes and how it is dealt with.

Brad Simshaw, Department of Revenue, reviewed in detail the common issues of SB 260 and SB 461. **EXHIBIT(tas54b01)** He stated in SB 260 the Homestead exemption remains at 31% and catches the faze-in. In SB 461 that property, which the current law of Homestead Exemption of 31%, is gradually fazed down to 0%, so it would be 0% at the end of the six year reappraisal cycle. He said that is the first difference between the two bills.

EXHIBIT(tas54b02)

SEN. JIM ELLIOTT inquired if **Mr. Simshaw** had a breakdown on the residential non-owner occupied, non-resident second homes and single family dwellings used as rental units. **Mr. Simshaw** said the department had identified 306,000 residential residences in Montana with 248,000 being owner occupied (US Census Number). There is no way of determining if that 248,000 are actually owner occupied but what they did on the data base is flag it as owner occupied if it had a Montana billing address. The remainder of 58,000 would be considered the non-owner occupied and 20,000 have out-of-state billing addresses.

Mr. Simshaw reviewed the charts in detail and responded to questions from the committee. **Judy Paynter** also responded to questions from the committee.

CHAIRMAN DEPRATU handed out **EXHIBIT(tas54b03)** "Comparison of Two Property Tax Proposals" and reviewed the charts with the committee. Brad Simshaw also reviewed the charts explaining the examples given on average increases in the 2003 reappraisal.

CHAIRMAN DEPRATU and **SEN. STORY** discussed differences in the two bills. **Dolores Cooney**, Department of Revenue, explained the \$1.7M on the Fiscal Note are the costs for everything, in particular how they implement a home-owners exemption. She then responded to questions from **SEN. STORY**.

CHAIRMAN DEPRATU asked if there was any public comment about the bills at this point. **Joe Roberts**, MT Association of Realtors, said he had an idea that could save the state \$1M on SB 461. He said there was no distinction between owner occupied and non-owner occupied when it left the advisory committee. He hoped the committee would consider the fact there is a 20% increase in the appraisal of residential, an increase in AG property, and in

commercial property, and address that by reducing the tax rate to 3% and increasing the exemptions from 31% to 34%. He said it would be revenue neutral across the board. **Mary Whittinghill**, MT Taxpayers Association and **Chris Christiaens**, MT Landlords Assoc. both expressed the concerns of their respective associations.

The committee further discussed the issues and decided to meet on Monday after the Taxation Committee meeting.

ADJOURNMENT

Adjournment: 12:16 P.M.

SEN. BOB DEPRATU, Chairman

SHIRLEY HERRIN, Secretary

BD/SH